Agency Fund

California COMMUNITY Foundation

WHAT IS AN AGENCY FUND?

An Agency Fund is established by a tax-exempt nonprofit organization or "agency." It allows the organization to focus on its mission rather than spend time identifying and supervising investment managers. It also helps nonprofits with gift planning and endowment-building to ensure their long-term financial sustainability.

WHO SHOULD CONSIDER AN AGENCY FUND?

Nonprofit organizations seeking a diversified pool of investment managers. For example, many investment managers require high minimums, often upwards of $1 million, to manage a fund. When the nonprofit creates an agency fund and its assets are pooled with other CCF assets, it can more easily focus its efforts on growing its organization, rather than managing its assets. Nonprofit organizations that have a solid individual donor base may wish to consider an Agency Fund to build an endowment.

at a glance

Agency Fund

- Helps a nonprofit agency build an endowment
- Accesses an array of investment managers that might not otherwise be available
- Allows the nonprofit organization more time to focus on its mission

WHAT ARE THE BENEFITS OF AN AGENCY FUND?

- Allows the nonprofit organization to focus on building an endowment, without the burdens of managing one
- Grants are typically made back to the nonprofit "agency" that opened the agency fund for a variety of uses, based on the agency's needs
- Accepts complex or unusual assets at fair market value (e.g., real estate, closely-held stock, etc.)
- Funds can be established with a strict spending policy to protect longevity, a spending policy that allows for emergency spending with board approval or a short-term spending strategy with no maximum expenditure set
- Gives donors peace of mind to contribute a "restricted" gift that he/she does not want managed by the beneficiary nonprofit agency, but rather by a neutral third party (i.e., CCF)
- An efficient vehicle to support meaningful issues and causes in Los Angeles County

HOW DOES AN AGENCY FUND WORK?

1. Nonprofit organization establishes the fund
2. The donors of the nonprofit make contributions to the nonprofit or the fund
3. The nonprofit organization makes contributions to the fund
4. Grants are typically made back to the nonprofit organization and are used based on its needs

WHAT ARE THE TAX ADVANTAGES OF AN AGENCY FUND?

- Receive the maximum tax deduction available in the year the contribution is made
- Avoid costly capital gains taxes while realizing the maximum tax deductibility of a donation with a gift of appreciated stock, real estate or other complex assets

CONSIDERATIONS

- Contributions made to an agency fund cannot be gifts from which the donor receives a material benefit from the beneficiary nonprofit agency (e.g., dinner tickets, participation in golf tournaments, etc.)
- All contributions made to the fund are irrevocable gifts
- Full endowments allow for the organization to get an annual payout based on the spending policy established by CCF
- Quasi-endowments allow for the organization to receive an annual payout but provide greater flexibility
- Non-endowed funds allow the organization access to all of the fund's principal and income

WHAT ARE THE ACCOUNT MINIMUMS AND FEES?

An Agency Fund may be opened with $100,000. Additional contributions can be made at any time thereafter.

Administrative fees are assessed quarterly and are generally 0.5 percent of assets or less based on a tiered system. Administrative fees charged to funds cover general operating costs for gift establishment, receipt of assets and contributions, grants and fund administration and CCF's other charitable purposes. Investment management and consulting fees related to the foundation's investment pools are charged separately.

Additional fees may be charged for any mutually agreed upon extraordinary legal, banking or other services rendered on behalf of a fund.

To establish an **Agency Fund**, contact Vice President of Development & Donor Relations Teresa Mosqueda at tmosqueda@calfund.org or (213) 452-6298.

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